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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000071

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E.O. 12958: DECL: 01/17/2018

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SUBJECT: SINGAPORE AND TAIWAN - BETTER DAYS AHEAD?

REF: 07 SINGAPORE 1932

Classified By: Deputy Chief of Mission Daniel Shields. Reasons 1.4(b)(d)

11. (C) Summary: Singapore and Taiwan have significant security and economic ties; however, their once close political relations have been strained for a number of years.

The GOS believes Taiwan President Chen Shui-bian and his predecessor have jeopardized regional stability with irresponsible rhetoric on cross-Straits relations. The GOS remains concerned that Chen may try to provoke China for electoral advantage in the run up to Taiwan's March 22 presidential election, according to MFA. The GOS expects that either KMT presidential candidate Ma Ying-jeou or the DPP's Frank Hsieh will be an improvement over Chen and help stabilize cross-Straits ties. While a change in leadership in Taipei may improve Singapore's political ties with Taiwan, some strains are likely to continue. At the same time, Singapore values the practical benefits of its relationship with Taiwan, notably the ability to conduct military training in Taiwan and a substantial amount of trade. End Summary.

A Close Relationship, Once

12. (C) In the 70's and 80's, Singapore and Taiwan had close political, security, and economic relations, epitomized by the personal ties between former Prime Minister Lee Kuan Yew and then-President Chiang Ching-kuo, respectively. Singapore also played a role in cross-Straits developments, hosting the historic 1993 meeting between Koo Chen-fu and Wang Daohan. In deference to the sensitivities of its Southeast Asian neighbors, some of whom feared Singapore might be a front for China, Singapore was the last country in ASEAN to switch diplomatic recognition from Taipei to Beijing in 1990.

13. (C) GOS leaders believe regional stability is the sine qua non for Singapore's security and economic development and place a lesser value on democracy. As Taiwan democratized through the 1990's and Presidents Lee Teng-hui and then Chen Shui-bian promoted a separate Taiwan identity, Singapore leaders worried about the possibility they would provoke an open conflict with China. In recent years, Prime Minister Lee Hsien Loong and Minister Mentor Lee Kuan Yew have been highly critical, in public and private, of Lee Teng-hui's and Chen Shui-bian's reckless management of cross-Straits relations (Reftel).

Worried about Chen

14. (C) As Chen reaches the end of his presidency, the GOS remains concerned that he will continue to bait China by playing the independence card for electoral advantage in the

run up to Taiwan's March 22 presidential election, MFA Northeast Asia Directorate Deputy Director Ong Siew Gay told us. The abysmal performance of Chen's Democratic Progressive Party (DPP) in the legislative elections this month has not lowered Singapore's apprehensions. In Singapore's view, Chen has little to lose at this point and is looking to secure his historical legacy, as well as shift attention away from the corruption scandals that have enveloped him and his family.

15. (C) In comparison to previous elections, China has done a much better job this time in not reacting to events in Taiwan and thus help the DPP, commented Ong. In part, this is due to the USG's clear stance against Taiwan moves toward independence, he argued. For example, the USG's series of strong statements opposing Chen's March 22 referendum on joining the UN under the name "Taiwan" reassured China and encouraged a moderated response.

Ma and Hsieh  
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16. (C) Either KMT presidential candidate Ma Ying-jeou or the DPP's Frank Hsieh would be an improvement over Chen, averred Ong. With Chen out of the picture, Taiwan and China could find creative ways forward on establishing the "Three Links" (direct transportation, trade, and postal links), possibly by working through trade associations, if direct talks were not feasible. Ong suggested that Ma would likely make more progress on improving cross-Strait ties than Hsieh; Beijing will be more willing to work with Ma since his starting point for cross-Strait ties is the "1992 consensus" of "one China, each side with its own interpretation." A Hsieh presidency could also make some progress on improving ties, but it will be harder for Beijing to accept working with him given his

SINGAPORE 00000071 002 OF 003

DPP background and the party's support for Taiwan independence.

17. (C) The GOS harbors other misgivings about Hsieh. Ong characterized him as a "slippery character" who always makes you feel like he agrees with you. He added that Hsieh suffers from the DPP's problem of "selective hearing."

Smoother Ties Ahead?  
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18. (C) A less confrontational Taiwan president would bode well for Singapore-Taiwan ties. Singapore has a habit of getting into the middle of cross-Strait difficulties. For example, then-Deputy Prime Minister Lee Hsien Loong's July 2004 "private" trip to Taiwan negatively affected Singapore's relations with China and Taiwan and set off a cycle of recriminations. Beijing quickly retaliated against Singapore by canceling a number of visits and freezing talks on a bilateral Free Trade Agreement. The appearance that Singapore then caved to China's pressure then provoked a nasty bilateral spat with Taiwan; in PM Lee's first major speech as prime minister he said that if Taiwan "goes for independence ... Taiwan will be devastated." Since then, Singapore's leaders have avoided high profile visits to Taiwan, though Ong told us there have been some GOS ministerial-level visits to Taiwan which have been kept quiet. He added that there are vigorous working-level exchanges.

19. (C) In 2007, both Ma and Hsieh and their running mates (Vincent Siew and Su Tseng-chang, respectively) made "private" visits to Singapore and met with senior GOS leaders, including Minister Mentor Lee Kuan Yew. Their visits received some coverage in the local press. There have also been "private" visits by cabinet-level officials from Taiwan. The Chairman of the Overseas Compatriots Affairs Commission visited Singapore in December 2007, according to Lee Rem-Loong from the Taipei Representative Office in Singapore. The GOS evaluates such proposed visits on a case

by case basis, Ong told us, depending on the visitors portfolio and "attitude."

#### Military Ties Ongoing

¶10. (C) Since the 1970's, the Singapore Armed Forces have conducted training exercises in Taiwan. (Note: Given Singapore's limited territory and high population density, it relies heavily on access to training fields overseas. End Note.) Some five to six thousand soldiers a year go to Taiwan for exercises, according to Lee. Almost every Singaporean soldier, active or reserve, has spent some time in Taiwan, observed Ong. In addition, Singapore Navy ships often make port calls in Taiwan. When Singapore and Beijing established relations in 1990, the GOS insisted on maintaining its defense training in Taiwan. While Beijing accepted that precondition, it probably wishes it hadn't, commented Ong. Maintaining the defense relationship with Taiwan also helps Singapore with its Southeast Asian neighbors, Ong asserted, because it reassures them that Singapore isn't a fifth column for China. He said Singapore does allow an occasional, and very quiet, ship visit by Taiwan naval units. One year, however, the GOS forced the Taiwan ships to bunker in international waters, Lee told us.

#### Substantial Economic Ties

¶11. (SBU) Singapore's economic relationship with Taiwan remains important and continues to grow, but pales next to its burgeoning trade and investment ties with China (and Hong Kong). Taiwan is Singapore's eighth largest trade partner, with total trade in 2006 of SGD 39.2 billion (USD 27.5 billion) -- total trade has grown by an average of 19 percent per year since 2002. In addition, Singapore has SGD 3.7 billion (USD 2.6 billion) in Foreign Direct Investment (FDI) in Taiwan. By comparison, Singapore's total trade with China and Hong Kong was SGD 135 billion (USD 95.1 billion) in 2006 and its FDI in China and Hong Kong, as of 2005, was SGD 37.7 billion (USD 26.5 billion).

#### Comment

¶12. (C) The GOS can't wait for President Chen to leave power and is looking forward to a President Ma or Hsieh to improve cross-Strait ties. A less confrontational leader in Taipei would likely lead to improved Singapore-Taiwan ties, given

SINGAPORE 00000071 003 OF 003

Singapore's historical tendency to get in the middle of cross-Strait disputes. Regardless of who wins the presidency in Taiwan, however, Singapore will still have to grapple with the unpredictable nature of Taiwan's democracy and free press and will occasionally find it difficult to navigate the complex triangular relationship of Taiwan, China, and Singapore.

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